

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7215

BILL NUMBER: SB 289

DATE PREPARED: Dec 30, 2000

BILL AMENDED:

SUBJECT: Excise Tax Rebate for License Plate Renewal by Mail.

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that the owner of a vehicle who renews the registration of the vehicle by mail is entitled to a reduction in the amount of Motor Vehicle Excise Tax due equal to the lesser of the amount of Motor Vehicle Excise Tax imposed for the use of the vehicle or \$25.

Effective Date: January 1, 2002.

Explanation of State Expenditures: *BMV:* For the Bureau of Motor Vehicles, there will be computer changes to accommodate the provisions in this bill. These are estimated at \$20,000. There will also be printing costs for new forms. However, this will be done by the BMV in-house printing. This cost is expected to be minimal.

Excise Tax: As explained below, the state would replace reductions in school general fund Excise Tax revenue through the school funding formula. The Excise Tax reductions in this bill would result in a state liability estimated at \$29.2 M in CY 2003 and \$29.9 M in CY 2004. The state's cost would grow by \$0.5 M to \$1 M per year after CY 2004. The tuition support distribution is subject to the calendar year maximum that may be part of the CY 2003 and CY 2004 formula and the fiscal year appropriations in the budget. If the distribution would exceed the calendar year maximum or the fiscal year appropriation then the school formula distribution would be reduced.

Background Information: Mail-ins for the last four years have amounted to the following:

<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
1,286,180	1,318,154	1,248,801	1,270,200

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Excise Tax:* There were approximately 4.7 M vehicles registered in Indiana in 1999 that were subject to the Motor Vehicle Excise Tax. In CY 1999, Hoosier motorists paid \$362 M in Excise Tax while the state transferred \$206.3 M from Lottery proceeds and \$33.3 M from the state General Fund to local units in order to replace a portion of the 1996 Excise Tax cuts. Total CY 1999 Excise Tax funding from all sources totaled \$601.6 M. Motor Vehicle Excise Tax revenue is distributed to the school corporation and local governmental units that serve the taxpayer on an apportioned basis based on tax rates.

This bill would provide for a reduction of the Excise Tax paid by vehicle owners in an amount up to \$25 per vehicle if the owner registers the vehicle by mail. Assuming that all taxpayers register their vehicles by mail in CY 2002 when the bill would become effective, Excise Tax collections would be reduced by approximately \$103 M. The reduction is estimated at \$105 M in CY 2003 and \$108 M in CY 2004.

After the first year of the reduction, the loss of local income could be partially replaced by the state due to the effects of the Excise Tax reduction on the state school funding formula. The school funding formula sets a specific income level for each school corporation. The state school distribution is equal to the total income amount less the local effort amount. The local effort amount includes Motor Vehicle Excise Tax revenue (from all sources) from the preceding year. Since this bill would reduce Motor Vehicle Excise Tax revenue for school corporations' general funds, the state's school funding share for school corporations would be increased by the same amount in the following year. The tuition support distribution is subject to the calendar year maximum that may be part of the CY 2003 and CY 2004 formula and the fiscal year appropriations in the budget. If the distribution would exceed the calendar year maximum or the fiscal year appropriation then the school formula distribution would be reduced.

The net local revenue reduction, after state transfers to school general funds (subject to appropriation), is estimated at \$102.8 M in CY 2002, \$75.8 M in CY 2003, and \$78.2 M in CY 2004. The revenue reduction would grow by about \$2 M - \$3 M per year after CY 2004.

State Agencies Affected: Bureau of Motor Vehicles.

Local Agencies Affected: Local governmental units and school corporations.

Information Sources: BMV regstat data; Annual Motor Vehicle Excise Tax revenue, BMV.